



October 27, 2016

Press Release

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Consolidated Results for the 6 Months Ended September 30, 2016 were In-line with Targets, Despite a Decrease of 9.4% in Net Sales, and 39.7% in Operating Income

- Launch of major titles in second half to drive four consecutive years of growth -

Capcom Co., Ltd. today announced that net sales decreased to 28,676 million yen in its consolidated business results for the first six months of the fiscal year ending March 31, 2017 (down 9.4% from the same period in the previous year). As for profits, operating income was 1,715 million yen (down 39.7% from the previous year), and ordinary income was 514 million yen (down 82.2% from the previous year). Net income attributable to owners of the parent decreased to 405 million yen (down 79.2% from the previous year).

During this six-month period, *Monster Hunter Generations* and re-releases of popular titles from *Resident Evil* franchise reported solid sales overseas in the Digital Contents business. As the launch of the major titles will be concentrated in the second half of the year, the majority of titles released during this period were minor or catalog titles.

As a result, consolidated net sales were 28,676 million yen, operating income was 1,715 million yen. The Company also recorded an ordinary income of 514 million yen due to foreign exchange losses of 1,167 million yen caused by the rapidly rising yen and a net income attributable to owners of the parent of 405 million yen.

Forecast for the consolidated results for the current fiscal year ending March 31, 2017 remains the same as what was projected at the financial results announcement on May 9, 2016. This is due to focusing on the releases of major titles such as *Resident Evil 7 biohazard* and *Dead Rising 4* in the Digital Content Business, as well as the major pachislo machine *Monster Hunter Kyoryu Sensen*.

1. Results for the 6 months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
	Million Yen	Million Yen	Million Yen	Million Yen
6 months ended September 30, 2016	28,676	1,715	514	405
6 months ended September 30, 2015	31,638	2,844	2,891	1,951

2. Earnings forecast for the fiscal year ending March 31, 2017

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Earnings per share of common stock
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Year ending March 31, 2017	85,000	13,600	13,300	9,000	162 53

3. Status of Each Operational Department

(1) Digital Contents

(Unit: Million Yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016	Difference (%)
Net sales	14,304	16,373	14.5%
Operating income	1,533	1,099	-28.3%
Operating margin	10.7%	6.7%	-

- a. In the Digital Contents business, series title *Phoenix Wright: Ace Attorney – Spirit of Justice* (for the Nintendo 3DS family of systems) sold largely as planned, while re-releases of popular titles *Resident Evil 5* (for PlayStation 4 and Xbox One) and *Resident Evil 4* (for PlayStation 4 and Xbox One) also performed steadily thanks to a stable fanbase for the brand. In addition, *Monster Hunter Generations* (for the Nintendo 3DS family of systems) achieved solid sales overseas thanks to Capcom’s established brand capabilities, while elsewhere *Sengoku BASARA Sanada Yukimura-den* (for PlayStation 4 and PlayStation 3) was released.
- b. As the launch of the major titles will be concentrated in the second half of the year, the majority of titles released during the period under review were supplemental or catalog titles.
- c. On the other hand, online games and mobile phone content were off to a promising start, amidst ongoing efforts by the Company to achieve progress surrounding this static sub-segment by reviewing its development framework and operation methods. This led to *Toraware no Paruma*, an enterprising romance game for smartphones (for Android devices and iOS) developed mainly by female staff, to reach the top of the App Store paid application rankings on its release date.
- d. The resulting net sales were 16,373 million yen (up 14.5% from the same term last year) and operating income was 1,099 million yen (down 28.3% from the same term last year).

(2) Arcade Operations

(Unit: Million Yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016	Difference (%)
Net sales	4,405	4,810	9.2%
Operating income	355	478	34.6%
Operating margin	8.1%	9.9%	-

- a. In the Arcade Operations business, despite the effects of temporary factors such as the Rio de Janeiro Olympics and the scorching hot summer, under the environment in which the regulations on the entrance to arcades in the nighttime were relaxed by the amendments to the Act on Control and Improvement of Amusement Business, etc. effective June 2016, efforts were made to capture a broad customer base by securing repeat customers and attracting persons of middle or advanced age and families with children through community-based arcade marketing to win the support of local residents by holding various events and operating arcades in a manner to offer comfortable experience to customers. To develop new business opportunities, the Company also pushed forward with innovative new business formulas such as the opening in the arcade of a new “CharaCap” shop, which mainly sells character merchandise.
- b. During the period under review, a new arcade was opened in Yamaguchi Prefecture bringing the total number of arcades to 35.
- c. The resulting net sales were 4,810 million yen (up 9.2% from the same term last year) and operating income was 478 million yen (up 34.6% from the same term last year).

(3) Amusement Equipments

(Unit: Million Yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016	Difference (%)
Net sales	12,132	6,530	-46.2%
Operating income	2,551	1,651	-35.3%
Operating margin	21.0%	25.3%	-

- a. In the Pachinko & Pachislo sub-segment, the Company mainly focused on contracted product development except for the launch of *Devil May Cry X (Cross)* and *Super Street Fighter IV*, as it planned to concentrate major business development efforts on the second half of the fiscal year. In the Arcade Games Sales sub-segment, the Company launched *Mario Party Fushigi no Challenge World* and focused on sales of existing products.
- b. The resulting net sales were 6,530 million yen (down 46.2% from the same term last year) and operating income was 1,651 million yen (down 35.3% from the same time last year).

(4) Other Businesses

(Unit: Million Yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016	Difference (%)
Net sales	795	962	21.0%
Operating income	253	395	55.9%
Operating margin	31.8%	41.1%	-

The net sales from Other Businesses, mainly consisting of royalty income from licensing and sale of character merchandise, were 962 million yen (up 21.0% from the same term last year) and operating income was 395 million yen (up 55.9% from the same time last year).